

**Report to General Manager**Attachments:  
Nil

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**SUBJECT:** Quarterly Budget Review - June 2019**AUTHOR:** Darren Goode, Manager Accounting Services**ENDORSED BY:** Margaret Palmer, Director Corporate Services**EXECUTIVE SUMMARY:**

The purpose of this report is to inform Council of the results of the review of the budget for the quarter ended 30 June 2019 and seek approval for the carry forward amounts.

In the past, a fourth quarter budget review has not tended to be completed as it has been overtaken by end of year reporting. In order to further improve budget oversight and align financial reporting with reporting against the Operational Plan, it is intended to complete a fourth quarter budget review in the future. The end of financial year reporting, including any accrual adjustments required under the Accounting Standards will also continue to occur in line with external auditing timeframes.

**FINANCIAL IMPLICATIONS:**

For the year ended 30 June 2019, Council achieved a net operating surplus before capital grants and contributions of \$2.9 million. After allowing for net transfers from reserves of \$11.4 million, the revised budget surplus was \$3.1 million.

**RECOMMENDATION:**

- 1. THAT** the Quarterly Budget Review – June 2019 report be received.
  - 2. THAT** the 2019/20 budget be amended to reflect funds carried forward from 2018/19 to complete projects as outlined in the report. The amendments will be presented with the revised budget at the first quarter review for 2019/20.
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## LINK TO COMMUNITY STRATEGIC PLAN

The relationship with the Community Strategic Plan is as follows:

Direction: 5. Our Civic Leadership

Outcome: 5.1 Council leads the strategic direction of North Sydney

## BACKGROUND

With the introduction of Integrated Planning and Reporting, the Division of Local Government developed a set of minimum requirements and sample templates to provide Councils with sufficient information to enable informed decision making and ensure that they remain on track to meet the objectives, targets and outcomes set out in their Operational Plan and Delivery Program. Collectively, these documents are known as the Quarterly Budget Review Statement (QBRS).

The QBRS indicates how Council is tracking against its original and revised annual budgets at the end of each quarter and provides explanations for major variances that result in recommendations for budget changes. It also enables the Responsible Accounting Officer to indicate if council will be in a satisfactory financial position at the end of the financial year, given the changes to the original budgeted position.

The QBRS is reported to Council at the end of each quarter in accordance with Section 203 of the *Local Government (General) Regulation 2005*.

## CONSULTATION REQUIREMENTS

Community engagement is not required.

## SUSTAINABILITY STATEMENT

The following table provides a summary of the key sustainability implications:

QBL Pillar	Implications
Environment	<ul style="list-style-type: none"><li>• There are no perceived short or long-term environmental implications.</li></ul>
Social	<ul style="list-style-type: none"><li>• There are no perceived short or long-term social implications.</li></ul>
Economic	<ul style="list-style-type: none"><li>• The economic implications are set out in the report.</li></ul>
Governance	<ul style="list-style-type: none"><li>• Section 203(1) of the Local Government (General) Regulation 2005 requires this report to be submitted to Council no later than 2 months after the end of the relevant quarter (except the June quarter).</li></ul>

## DETAIL

### Summary of the 2018/19 Operating Result

For the year ended 30 June 2019, Council achieved a net operating surplus of \$18.7 million including capital grants and contributions. This was an improvement of \$11.4 million on the surplus of \$7.3 million forecast in the Original Budget included in the Delivery Program 2018/19-2020/21 incorporating the Operational Plan 2018/19 adopted by Council on 25 June 2018. In the Quarterly Budget Review at the end of the March Quarter reported to Council 27 May 2019, the surplus was revised to \$9.2 million.

The better than expected result can be largely attributed to the earlier than anticipated receipt of some large developer contributions in the final quarter of the year and the partial receipt of a grant from Transport for NSW to fund urban landscaping works along the Military Road corridor in conjunction with The Northern Beaches B-Line program which was approved after the Original Budget had been adopted.

Excluding capital grants and contributions, the surplus for the year was \$2.9 million. This was an improvement of \$400,000 on the \$2.5 million surplus forecast in Original Budget. In the Quarterly Budget Review at the end of the March Quarter, the surplus was revised down to \$69,000.

Greater than expected fee revenue emanating from increased development in the North Sydney CBD and on and off-street parking contributed to the better than expected result before capital grants and contributions. However, this was offset somewhat by increased contractor costs and a \$1.5 million increase in the provision for employee leave entitlements.

The following table provides a reconciliation of the forecast and actual operating result to the budget result.

	Original Budget (\$'000)	Revised Budget at 31 March 2019 (\$'000)	Actual (\$'000)
<b>Net Operating Surplus before Capital Items</b>	<b>2,476</b>	<b>69</b>	<b>2,885</b>
<i>plus</i>			
Capital Grants and Contributions	4,850	9,148	15,773
<b>Surplus from Continuing Operations</b>	<b>7,326</b>	<b>9,217</b>	<b>18,658</b>
<i>plus</i>			
Depreciation	21,000	22,100	22,112
Proceeds from Disposal of Plant	808	808	627
Net Losses from Disposal of Infrastructure, Property, Plant & Equipment	-	-	1,481
Increase in Provision for Employee Leave Entitlements	-	-	1,456
<i>less</i>			
Capital Expenditure (other than Plant Purchases)	(22,628)	(41,591)	(27,621)
Plant Purchases	(2,110)	(2,110)	(1,216)
Net Gains from Disposal of Infrastructure, Property, Plant & Equipment	(402)	(402)	-
Loan Principal Repaid	-	(589)	(589)
Increase in Fair Value of Investment Properties	(1,005)	-	(355)
In-kind Developer Contribution	-	-	(62)
<b>Revised Budget Surplus/(Deficit) before net transfers to/from Reserves</b>	<b>2,989</b>	<b>(12,567)</b>	<b>14,491</b>
Net transfers (to)/from Reserves	(2,989)	12,567	(11,353)
<b>Revised Budget Surplus</b>	<b>-</b>	<b>-</b>	<b>3,138</b>
Additional revenue transferred to Capital Works Reserve in December Budget Review	-	-	1,500
<b>Original Budget Surplus</b>	<b>-</b>	<b>-</b>	<b>4,638</b>

The original budget adopted by Council was balanced after allowing for net transfers to reserves of \$3 million. The revised budget as at 31 March was balanced after allowing for net transfers from reserves of \$12.6 million. The actual result for the year compared to the revised budget was a \$3.1 million surplus. This result was achieved after \$1.5 million of additional revenue had been transferred to the Capital Works Reserve in the December Budget Review. Hence, the actual result for the year compared to the original budget was a surplus of \$4.6 million. The revised budget surplus of \$3.1 million has been transferred to the Capital Works Reserve and is available to be allocated to fund discretionary projects in future years.

There were several non-capital discretionary projects that were incomplete at 30 June 2019 and it will be necessary to carry forward \$1.6 million from 2018/19 to 2019/20 to fund their completion. The projects, amount carried forward and the funding source are listed below.

<b>Project / Program</b>	<b>Amount (\$)</b>	<b>Funding Source</b>
Community Recycling Centre Unspent Contributions	223,724	Other Special Purpose Contributions
Drainage Catchment Study	127,239	Special Purpose Grants
Denison & Mount Street Public Domain Detailed Design	125,000	Capital Works Reserve
LEP Review	105,450	Special Purpose Grants
Street Trees Planting	103,243	Developer Contributions
CBD North Precinct Planning Study	88,476	Special Purpose Grants
Drainage Condition Assessment	87,000	Capital Works Reserve
Local Housing Strategy	60,000	Capital Works Reserve
Local Housing Strategy	23,151	Special Purpose Grants
North Sydney CBD Public Domain Strategy	50,000	Special Purpose Grants
Greenhouse Action Plan - Energy Efficiency Programs	45,079	Environmental Levy
North Sydney CBD Floor Space and Use Audit	40,000	Special Purpose Grants
Water Management Action Plan - Water Audit & Implementation	39,442	Environmental Levy
Streets Alive Program	39,196	Developer Contributions
Developer Contributions Review	37,330	Special Purpose Grants
Drainage Program - Catchment Study	35,596	Capital Works Reserve
St Leonards Crows Nest Planned Precinct Plan Refinement	35,000	Special Purpose Grants
St Leonards Crows Nest Planned Precinct Plan Refinement	7,331	Developer Contributions
Ward Street Precinct Masterplan Implementation Strategy	30,000	Special Purpose Grants
Crown Land Management Act Implementation	30,000	Special Purpose Grants
Greenhouse Action Plan - Street Lighting Efficiency Programs	30,000	Environmental Levy
Economic Development Strategy	26,767	Capital Works Reserve
Smart City Strategy	25,000	Capital Works Reserve
Roads Condition Assessment	23,750	Capital Works Reserve
Other Structures Condition Assessment	20,261	Capital Works Reserve
Greenhouse Action Plan - Environmental Design Guidelines	20,000	Environmental Levy
Military Road Corridor Planning Study	18,188	Capital Works Reserve
Tourism & Visitation Strategy	17,896	Special Purpose Grants
Ex Waverton Bowling Club Site Contamination Report	13,323	Capital Works Reserve
Greenhouse Action Plan - Energy Audit & Implementation	11,792	Environmental Levy
Neutral Bay Community Centre Repainting	10,859	Capital Works Reserve
Waste & Recycling Projects	8,070	Other Special Purpose Contributions
99 Mount Street Airspace Lease Retainer	7,864	Capital Works Reserve
Multi-Unit Dwelling Recycling Education	5,430	Other Special Purpose Contributions
Traffic Study	1,823	Special Purpose Grants
Adopt-a-Plot Project	512	Other Special Purpose Contributions
<b>Total</b>	<b>1,573,792</b>	

**Summary of the 2018/19 Capital Budget**

The original budget included an allocation of \$22.6 million for capital expenditure (excluding plant replacement). A further \$18 million was required to be carried forward from 2017/18 to 2018/19 to fund capital projects incomplete at 30 June 2018. An additional \$1 million was allocated to the capital budget during the year as a result of amendments adopted by Council. Hence, in the Quarterly Budget Review at the end of the March Quarter, the total capital budget was \$41.6 million. At 30 June 2019, a number of capital projects were incomplete and \$13.3 million will be required to be carried forward from 2018/19 to 2019/20 to fund their completion. The projects, amount carried forward and the funding source are listed below.

<b>Project / Program</b>	<b>Amount (\$)</b>	<b>Funding Source</b>
Hume Street Park Expansion & Embellishment	2,025,454	Developer Contributions
Hume Street Park Expansion & Embellishment	1,750,000	Special Purpose Grants
North Sydney CBD - Central Laneways Masterplan Implementation	1,140,039	Capital Works Reserve
North Sydney CBD - Central Laneways Masterplan Implementation	271,492	Developer Contributions
St Leonards Park Masterplan Implementation	953,308	Developer Contributions
North Sydney Olympic Pool Complex Upgrade Consultancy	659,722	Developer Contributions
North Sydney Olympic Pool Complex Upgrade Consultancy	70,443	Income Producing Projects Reserve
Education Precinct Masterplan Implementation	611,164	Capital Works Reserve
Grosvenor Lane Shared Zone Upgrade	353,673	Capital Works Reserve
Grosvenor Lane Shared Zone Upgrade	63,301	Neutral Bay Mainstreet Levy
Bike Facilities - Albany/Oxley Street Intersection Upgrade	311,067	Developer Contributions
Bike Facilities - Albany/Oxley Street Intersection Upgrade	172,629	Capital Works Reserve
Alexander Street Car Park Public Toilets Upgrade	301,162	Capital Works Reserve
Holtermann Street Car Park Solar Panels	283,627	Capital Works Reserve
Pacific Highway Upgrade	251,126	Capital Works Reserve
Balls Head Amenities Block Upgrade	243,800	Capital Works Reserve
North Sydney CBD - Blue Street	228,950	Developer Contributions
North Sydney CBD - Blue Street	6,831	Capital Works Reserve
Parraween Street Mixed Use Development Consultancy	224,402	Capital Works Reserve
St Leonards East Public Domain Upgrade	200,000	Capital Works Reserve
St Leonards East Public Domain Upgrade	109,969	Developer Contributions
Drainage Program - Construction	190,309	Capital Works Reserve
Milson Park Boat Ramp	175,442	Special Purpose Grants
Milson Park Boat Ramp	90,000	Capital Works Reserve
Warringa Park Playground Upgrade	171,000	Capital Works Reserve
Warringa Park Playground Upgrade	44,971	Special Purpose Grants
Footpath Reconstruction	167,807	Capital Works Reserve
North Sydney CBD - Pacific Highway, Walker Street to Miller Street	163,210	Capital Works Reserve
Traffic Facilities - Yeo Street Pedestrian Crossing	138,363	Capital Works Reserve
Drainage Program - Gross Pollutant Traps Upgrade	114,568	Capital Works Reserve
Bike Facilities - Bike Strategy Priority Items	100,191	Capital Works Reserve
Council Chambers & Offices Accommodation Improvements	94,831	Capital Works Reserve
Traffic Facilities - Palmer Street Pedestrian Crossing	88,850	Capital Works Reserve
Council Chambers & Offices Building Management System Upgrade	85,348	Capital Works Reserve
Parking Meters Upgrade	81,060	Income Producing Projects Reserve
Drainage Program - Design	80,927	Capital Works Reserve

Report of Darren Goode, Manager Accounting Services  
 Re: Quarterly Budget Review - June 2019

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<b>Project / Program</b>	<b>Amount (\$)</b>	<b>Funding Source</b>
Waverton Coal Loader Solar Panels	79,763	Capital Works Reserve
Public Art	73,253	Capital Works Reserve
Neutral Bay & Cremorne Masterplan Implementation	62,682	Capital Works Reserve
Traffic Facilities - Burlington Street Pedestrian Crossing	62,526	Special Purpose Grants
Streetscape Lighting Upgrade	57,796	Capital Works Reserve
McLaren Street & Church Street Lighting Upgrade	57,380	Capital Works Reserve
Performance Planning Solution	56,400	I.T. Hardware & Software Reserve
Anzac Park Community Garden	54,909	Developer Contributions
Crows Nest Public Domain Masterplan Implementation	54,844	Crows Nest Mainstreet Levy
Bike Facilities - Ernest & Merlin Street Traffic Signals	54,500	Special Purpose Grants
North Sydney CBD - Berry Street to McLaren Street	53,062	Capital Works Reserve
Electronic Lodgement of D.A.s Solution	51,636	Capital Works Reserve
Electronic Business Paper Solution	50,000	Capital Works Reserve
1 James Place Façade Waterproofing	42,373	Capital Works Reserve
Bike Facilities - Ridge Street Active Transport Upgrades	39,752	Capital Works Reserve
Traffic Facilities - Union Street Speed Cushions	33,062	Developer Contributions
Nutcote Museum Building Refurbishment	30,003	Capital Works Reserve
Crows Nest Public Domain Decorative Lighting	28,217	Crows Nest Mainstreet Levy
Traffic Facilities - Pedestrian Crossing Lighting Program	27,565	Capital Works Reserve
Coal Loader Platform Improvements	26,568	Capital Works Reserve
Neutral Bay Community Centre Awning Lighting Upgrade	25,547	Capital Works Reserve
Traffic Facilities - Macpherson Street Traffic Signal Plan	25,330	Developer Contributions
Kurraba Reserve Small Watercraft Storage	21,539	Capital Works Reserve
Kurraba Reserve Small Watercraft Storage	21,539	Special Purpose Grants
North Sydney CBD - Street Furniture	20,497	Capital Works Reserve
Traffic Facilities - Atchison Street at Oxley Street Kerb Extension	18,235	Capital Works Reserve
North Sydney Olympic Pool Building Upgrade	16,174	Capital Works Reserve
Wharves & Jetties Refurbishment	15,149	Capital Works Reserve
Traffic Facilities - Kirribilli PAMP Study	15,000	Developer Contributions
North Sydney CBD - Brett Whiteley Place	14,965	Capital Works Reserve
Stanton Library Masterplan Implementation	13,562	Capital Works Reserve
Kurraba Reserve Boat Ramp	11,754	Capital Works Reserve
North Sydney CBD - Design Consultancy	10,202	Capital Works Reserve
Library Special Collection Project	10,000	Developer Contributions
Traffic Facilities - Rangers Road at Spofforth Street Redesign	10,000	Developer Contributions
Bike Facilities - Harbour Bridge to Neutral Bay/Cremorne Cycleway	9,340	Capital Works Reserve
Road Structures - Bollards	8,043	Capital Works Reserve
Willoughby Road Paving Upgrade	5,864	Capital Works Reserve
Bradfield Park Bicentennial Fence Restoration	5,152	Capital Works Reserve
Bike Facilities - Falcon Street, North Sydney to Mosman Cycleway	4,584	Capital Works Reserve
McMahon's Point Occasional Care Centre Playground Upgrade	3,712	Capital Works Reserve
Neutral Bay Banner Pole Installation	3,300	Capital Works Reserve
Publicity Video Equipment	3,000	Capital Works Reserve
Minor Access Works	444	Capital Works Reserve
<b>Total</b>	<b>13,308,259</b>	